

Message Text

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44

ACTION SS-30

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R 291850Z JAN 74

FM AMEMBASSY BRUSSELS

TO SECSTATE WASHDC 9754

INFO AMEMBASSY KINSHASA

S E C R E T BRUSSELS 0592

EXDIS

E.O. 11652: GDS

TAGS: PFOR, BE, CG

SUBJECT: SGM-GOZ COPPER CONTRACT NEGOTIATIONS

REF: BRUSSELS 507

1. SUMMARY. NO PROGRESS MADE IN SGM-GOZ NEGOTIATIONS JANUARY 23-24. BELGIANS MAY SEEK TO CONTINUE DIALOGUE AT GOVERNMENTAL LEVEL. GOB KEEPING IBRD INFORMED OF DEVELOPMENTS. END SUMMARY.

2. FONMIN AFRICA DIRECTOR LEBRUN TOLD EMBOFF JANUARY 29 THAT TALKS BETWEEN SGM AND GOZ REPRESENTATIVES IN PARIS ENDED JANUARY 24 IN STAND-OFF. NO REAL PROGRESS HAD BEEN MADE IN TALKS, WHICH "SUSPENDED BUT NOT BROKEN OFF."

3. LEBRUN SAID THAT ZAIRIANS STILL MAINTAINED THAT CONTRACT SHOULD BE COMPLETELY REVISED AND THAT ZAIRE HAD PAID ENOUGH COMPENSATION TO UNION MINIERE. LEBRUN HAD NO INFORMATION THAT SPECIFIED AMOUNTS OF COMPENSATION HAD BEEN CITED BY EITHER SIDE BUT HE REITERATED THAT ZAIRIANS HAD MAINTAINED VALUE OF UNION MINIERE SHOULD BE CALCULATED ON BASIS OF SUMM COMPANY HAD INVESTED DIRECTLY IN ZAIRE FROM OUTSIDE (REFTEL). UNDER THIS FORMULA, REINVESTED PROFITS WOULD NOT BE TAKEN INTO ACCOUNT. SGM REPRESENTATIVES INDICATED WILLINGNESS TO MAKE
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ADJUSTMENTS IN CONTRACT BUT INSISTED ON RIGHT TO CONTINUED COMPENSATION. NEITHER SIDE, ACCORDING TO LEBRUN, PUT FORTH SPECIFIC PROPOSALS FOR AMENDMENTS IN CONTRACT.

4. SGM REPRESENTATIVES WILL MEET WITH LEBRUN AND FONMIN POLITICAL DIRECTOR DAVIGNON JANUARY 29 TO CONSIDER NEXT STEPS. LEBRUN BELIEVES ATTEMPT WILL BE MADE TO CONTINUE DIALOGUE WITH ZAIRIANS AT GOVERNMENTAL LEVEL. ADVANTAGE, FROM BELGIAN STANDPOINT, WOULD BE TO DISCUSS COPPER ISSUE IN BROADER CONTEXT OF OVERALL BELGIAN-ZAIRIAN RELATIONS. LEBRUN EXPRESSED HOPE THAT BISENGIMANA WOULD COME TO BRUSSELS FOR THESE CONTACTS, BUT WAS UNCERTAIN WHETHER THIS COULD BE ARRANGED BECAUSE BISENGIMANA HAD JOINED PRESIDENT MOBUTU FOR TOUR OF GERMANY.

5. IN COMMENTING ON PARIS NEGOTIATIONS, LEBRUN EXPRESSED CONCERN THAT GOZ MIGHT SEEK TO USE ITS APPROACH ON ESTIMATION OF UNION MINIERE'S VALUE AS PRECEDENT FOR INDEMNIFICATION OF OTHER NATIONALIZATIONS. IF LABOR AND REINVESTED PROFITS NOT REFLECTED IN VALUE OF PROPERTY, HE NOTED, OWNERS OF SMALLER ENTERPRISES IN ZAIRE COULD EXPECT LITTLE COMPENSATION FOR VALUE BASED ON DIRECT INVESTMENT FROM OUTSIDE. EVEN THIS COMPENSATION WOULD DEPEND ON GOZ NOT PURSUING BISENGIMANA LINE THAT, IF GOZ OBLIGED TO CONTINUE PAYMENTS TO UNION MINIERE, GOB WOULD HAVE TO EXTRACT COMPENSATION FOR PROPERTIES EXPROPRIATED UNDER NOVEMBER 30 MEASURES FROM UNION MINIERE (REFTEL). LEBRUN ALSO COMMENTED THAT MOBUTU, MITAKENLY COMPARING COPPER MARKET TO PETROLEUM MARKET, SEEMS TO BE UNDER ILLUSION THAT HE HAS GREAT LEVERAGE WITH BELGIUM BECAUSE OF ALLEGED IMPACT WITHDRAWAL OF ZAIRIAN COPPER WOULD HAVE ON BELGIAN ECONOMY.

6. IN SEPARATE CONVERSATION ON ANOTHER MATTER JANUARY 29, DAVIGNON RAISED SGM-GOZ DISPUTE WITH AMBASSADOR. DAVIGNON NOTED THAT NO PROGRESS MADE SO FAR AND THAT IT UNCLEAR WHERE DISPUTE WOULD GO SINCE GOZ QUESTIONING ENTIRE COPPER AGREEMENT. HE
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ADDED, HOWEVER, THAT GOV WAS KEEPING IBRD INFORMED OF DEVELOPMENTS. STRAUSS-HUPE

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<< END OF DOCUMENT >>

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